

PRODUCTIVITY OF INDIAN COMMERCIAL BANKS: INTRA SECTOR COMPARISON OF PUBLIC SECTOR BANKS

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ABSTRACT

As the study is focused on measuring the productivity of Indian commercial banks of Public sector; an intra sector comparison of productivity on the basis of various performance parameters will be conducted in the study. The five banks have been selected for the measurement of productivity. The factors/ ratios calculated may help in further research and better designing of the policies. It will show the pro and cons of the initiatives taken by government to uplift the productivity of banking sector. One of those initiatives is implementation of IT- Information Technology. To study the productivity of Indian commercial banks with respect to impact of implementation of IT will be the key point of focus. The results of the study can provide some facts to the policy makers to know the opportunities and the lacking points to tackle the global rivalry.

KEYWORDS: Productivity, Information Technology (IT), Public Sector Banks (PSBs) & Average

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INTRODUCTION

The competition in the banking sector is increasing day by day as the market is open for global players/ rivals. To retain in the market every bank should update itself to the latest technology and manage itself as per the requirement of global competition and customer satisfaction. Information technology (IT)/ Computerization adoption was the one of the initiative taken by Indian Banking Sector to be at par with global players. As IT was adopted globally, so was done by India also and it revolutionized the world's financial sector globally. In this study the productivity of public sector banks will be measured for the time span of 14 years starting from year 2000 to 2014. In layman language Productivity can be defined as the output of any task per unit input. There are seventeen performance indicators on the basis of which the productivity is measured for the banks under study.

OBJECTIVES OF THE STUDY

- To identify the productivity of Indian commercial banks.
- To examine the Intra-sector differentials of selected banks under study.

RESEARCH METHODOLOGY

By review of literature the various seventeen parameters have been selected to measure the productivity of banks under study. All the parameters have been shown in the table no. 2. Statistical techniques/ Methods like Mean, standard deviation (SD) and F- Test is used to measure the significant variations.

Selection of Banks

Five banks from Public Sector Banks (PSBs) are randomly selected for the study. The list of selected banks has been shown in the following table no: 1.

Table 1: List of Public Sector Banks under Study

Bank Group	Sr. No.	Name of the Bank
Public Sector Banks	1	State Bank of India
	2	Bank of Baroda
	3	Bank of India
	4	Canara Bank
	5	Punjab National Bank

INTRA SECTOR COMPARISON OF PRODUCTIVITY RATIOS IN DIFFERENT PUBLIC SECTOR BANKS

Deposits per Employee

Information given in Table 2 showed the intra sector comparison of productivity ratio in public sector banks. Average deposits per employee were highest of the order of Rs. 4.87 crore in Bank of Baroda, followed by Rs. 4.30 crore in Bank of India and Rs. 4.01 crore in Canara Bank. Whereas the average deposits per employee was lowest of the order of Rs. 3.08 crore in State Bank of India followed by Rs.3.34 crore in Punjab National Bank. The analysis further showed that there was no significant variation in the deposits per employee of all the Public sector banks as shown by the F-ratio of 1.04.

Advances per Employee

Average advances per employee came to be Rs. 2.27 crore in State Bank of India, Rs. 3.33 crore in Bank of Baroda, Rs. 3.15 crore in Bank of India, Rs. 2.73 crore in Canara bank and Rs.2.40 crore in Punjab National Bank. The results showed that there was no significant difference in Advances per employee of all the Public sector banks as shown by the F-ratio of 0.68.

Business per Employee

Average business per employee was highest of the order of Rs. 8.21 crore in Bank of Baroda, followed by Rs. 7.45 crore Bank of India and Rs. 6.75 crore in Canara Bank. The average business per employee was lowest of the order of Rs. 5.35crore in State Bank of India followed by Rs. 5.74 crore in Punjab National Bank. The analysis further revealed that business per employee was at par in all the public sector bank as shown by the F-ratio of 0.86.

Total Expenditure per Employee

Average expenditure per employee came to be Rs. 0.31 crore in state bank of India, Rs. 0.37 crore in bank of Baroda and same were (Rs. 0.37 crore) in Bank of India, Rs. 0.36 crore in Canara Banka and Rs. 0.31 crore in Punjab National Bank. The results showed that there was no significant difference in the expenditure per employee of all the public sector banks as shown by the f-ratio of 0.28.

Total Earning per Employee

Average earning per employee was highest of the order of Rs. 0.42 crore in Bank of Baroda followed by Rs.0.41 crore in Bank of India and Rs. 0.40 crore in Canara bank. Average earning per employee was lowest of the order of

Rs. 0.35 crore in both State bank of India and Punjab national Bank respectively. F-ratio of 0.30 showed that total expenditure per employee was at par in all the public sector banks.

Spread

Average spread in State bank of India came to be 5.45 percent, 5.05 percent in Bank of Baroda, 5.25 percent in Bank of India, 5.01 percent in Canara Bank and 5.25 percent in Punjab National Bank. There was no significant difference in spread of all the public sector banks as revealed by the F-ratio of 0.31.

Table 2: Intra Sector Comparison of Productivity Ratios in Public Sector Banks: 2000-2014

Ratio	State Bank of India		Bank of Baroda		Bank of India		Canara Bank		Punjab National Bank		F-ratio
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Deposits/Employee	3.08	1.53	4.87	3.65	4.30	3.18	4.01	2.68	3.34	2.22	1.04
Advances/Employee	2.27	1.55	3.33	2.75	3.15	2.51	2.73	2.00	2.40	1.87	0.68
Business/Employee	5.35	3.07	8.21	6.39	7.45	5.69	6.75	4.68	5.74	4.08	0.86
Total Expenditure/Employee	0.31	0.15	0.37	0.24	0.37	0.26	0.36	0.25	0.31	0.21	0.28
Total Earnings/Employee	0.35	0.16	0.42	0.27	0.41	0.28	0.40	0.27	0.35	0.24	0.30
Spread	5.45	1.28	5.05	1.07	5.25	1.04	5.01	1.50	5.25	1.23	0.31
Establishment expenditure/employee	0.07	0.04	0.08	0.04	0.08	0.05	0.06	0.03	0.07	0.05	0.31
Deposits/branch	47.53	18.55	51.38	30.11	47.58	25.13	51.33	22.18	36.43	19.32	1.03
Advances/branch	34.35	20.10	34.77	23.61	34.56	20.43	34.46	17.95	25.74	16.84	0.59
Business/branch	81.88	38.56	86.15	53.67	82.14	45.53	85.79	40.10	62.17	36.15	0.80
Total Expenditure/branch	4.84	1.77	4.00	1.85	4.12	1.95	4.63	1.92	3.40	1.85	1.37
Total Earnings/branch	5.34	1.93	4.54	2.17	4.54	2.13	5.17	2.11	3.84	2.07	1.22
Establishment expenditure/branch	1.07	0.49	0.83	0.34	0.87	0.40	0.82	0.22	0.75	0.42	1.52
Profit as % of Earnings	9.21	1.88	10.98	3.29	9.68	4.39	10.29	3.61	11.21	3.02	0.96
Establishment expenditure as % of total expenditure	21.57	3.81	21.28	3.90	21.08	3.11	18.78	3.81	21.81	4.51	1.50
Establishment expenditure as % of Business	1.33	0.17	1.12	0.34	1.12	0.19	1.07	0.28	1.25	0.27	2.65*
Total expenditure as % of Business	6.30	1.14	5.26	1.27	5.36	0.95	5.70	1.03	5.83	1.05	2.17

Source: calculated & sourced from the Performance Highlights publications of IBA Mumbai from years 2000-2014.

Establishment Expenses per Employees

Average establishment expenses per employee came to be highest of the order of Rs. 0.08 crore in both Bank of Baroda and Bank of India respectively, followed by Rs. 0.07 crore in State Bank of India and Punjab National Bank and Rs. 0.06 crore in Canara Bank. The analysis showed that average establishment expenditure per employee was at par in all the public sector banks as shown by the F-ratio of 0.31.

Deposits per Branch

Average deposits per branch came to be highest of the order of Rs. 51.38 crore in Bank of Baroda, followed by Rs. 51.33 crore in Canara Bank and Rs. 47.58 crore in Bank of Baroda, while the average deposits per branch were lowest of the order of Rs. 36.43 crore in Punjab National Bank followed by Rs. 47.53 crore in State bank of India. Non-significant F-ratio of 1.03 showed that there was no significant variation in the average deposits per branch of various public sector banks

Advances per Branch

Average advances per branch came to be highest of the order of Rs. 34.77 crore in Bank of Baroda, followed by Rs. 34.56 crore in Bank of India and Rs. 34.35 crore in State Bank of India, while the average deposits per branch were lowest of the order of Rs. 25.74 crore in Punjab National Bank followed by Rs. 34.46 crore in Canara Bank. There was no significant difference on the advances per branch in all the public sector banks as shown by the F-ratio of 0.59.

Business per Branch

Average business per branch was highest of the order of Rs. 86.15 crore in Bank of Baroda, followed by Rs. 85.79 crore in Canara Bank and Rs. 82.14 crore in Bank of India. The average business per branch was lowest of the order of Rs. 62.17 crore in Punjab National Bank followed by Rs. 81.88 crore in State Bank of India. The analysis further revealed that business per branch was at par in all the public sector bank as shown by the F-ratio of 0.80.

Total Expenditure per Branch

Average expenditure per branch came to be Rs. 4.84 crore in state bank of India, Rs. 4.00 crore in bank of Baroda, Rs. 4.12 crore in Bank of India, Rs. 4.63 crore in Canara Bank and Rs. 3.40 crore in Punjab National Bank. The results showed that there was no significant difference in the expenditure per branch of all the public sector banks as shown by the F-ratio of 1.37.

Total Earning per Branch

Average earning per employee was highest of the order of Rs. 5.34 crore in State Bank of India followed by Rs. 5.17 crore in Canara Bank and Rs. 4.54 crore in both Bank of Baroda and Bank of India. Average earning per employee was lowest of the order of Rs. 3.84 crore in Punjab National Bank. F-ratio of 1.22 showed that total expenditure per branch was at par in all the public sector banks.

Establishment Expenses per Branch

Average establishment expenses per Branch came to be highest of the order of Rs. 1.07 crore in both State Bank of India, followed by Rs. 0.87 crore in Bank of India and 0.83 crore in Bank of Baroda. The average establishment expenses came to be lowest of the order of Rs. 0.75 crore in Punjab National Bank and Rs. 0.82 crore in Canara Bank. The analysis showed that average establishment expenditure per Branch was at par in all the public sector banks as shown by the F-ratio of 1.52.

Profit as percentage of Earnings

Average profit to earnings ratio came to be highest of the order of 11.21 percent in Punjab National Bank, followed by 10.98 percent in Bank of Baroda and 10.29 percent in Canara Bank. Average profit to earnings came to be

lowest of the order of 9.21 percent in State Bank of India followed by 9.68 percent in Bank of India. The analysis further revealed that there was no significant difference in profit to earnings ratio of all the public sector banks as shown by the F-ratio of 0.96.

Establishment Expenses as Percentage of Total Expenses

Average establishment expenses to total expenses ratio came to be 21.57 percent in state Bank of India, 21.28 percent in Bank of Baroda, 21.08 percent in Bank of India, 18.78 percent in Canara Bank and 21.81 percent in Punjab National Bank. The F-ratio of 1.50 revealed that there was no significant difference in the establishment expenses to total expenses ratio in all the public sector banks.

Establishment Expenses as Percentage of Business

Average establishment expenses to business ratio came to be 1.33 percent in State Bank of India, 1.12 percent in both Bank of Baroda and Bank of India, 1.07 percent in Canara Bank and 1.25 percent in Punjab National Bank. The results showed that all the public sector banks under study differ significantly on establishment expenses to business ratio as shown by the F-ratio of 2.65.

Total Expenses as Percentage of Business

Average total expenses to business expenses ratio came to be highest of the order of 6.30 percent in State Bank of India, followed by 5.83 percent in Punjab National Bank and 5.70 percent in Canara Bank. Total expenses to business ratio were lowest of the order of 5.26 percent in Bank of Baroda followed by 5.36 percent in Bank of India. The F-ratio of 2.17 revealed that there was no significant difference in the total expenses to business ratio in all the public sector banks.

FINDINGS OF THE STUDY

- Average deposits per employee were highest of the order of Rs. 4.87 crore in Bank of Baroda and the average deposits per employee was lowest of the order of Rs. 3.08 crore in State Bank of India. There was no significant variation in the deposits per employee of all the Public sector banks.
- Average advances per employee came to be Rs. 2.27 crore in State Bank of India, Rs. 3.33 crore in Bank of Baroda, Rs. 3.15 crore in Bank of India, Rs. 2.73 crore in Canara bank and Rs.2.40 crore in Punjab National Bank. The results showed that there was no significant difference in Advances per employee of all the Public sector banks.
- Average business per employee was highest of the order of Rs. 8.21 crore in Bank of Baroda and average business per employee was lowest of the order of Rs. 5.35crore in State Bank of India. The analysis further revealed that business per employee was at par in all the public sector banks.
- Average expenditure per employee came to be Rs. 0.31 crore in state bank of India, Rs. 0.37 crore in bank of Baroda and same were (Rs. 0.37 crore) in Bank of India, Rs. 0.36 crore in Canara Bank and Rs. 0.31 crore in Punjab National Bank. The results showed that there was no significant difference in the expenditure per employee of all the public sector banks.

- Average earning per employee was highest of the order of Rs. 0.42 crore in Bank of Baroda and lowest of the order of Rs. 0.35 crore in both State bank of India and Punjab national Bank. Total expenditure per employee was at par in all the public sector banks.
- Average spread in State bank of India came to be 5.45 percent, 5.05 percent in Bank of Baroda, 5.25 percent in Bank of India, 5.01 percent in Canara Bank and 5.25 percent in Punjab National Bank. There was no significant difference in spread of all the public sector banks.
- Average establishment expenses per employee came to be highest of the order of Rs. 0.08 crore in both Bank of Baroda and Bank of India respectively, followed by Rs. 0.07 crore in State Bank of India and Punjab National Bank and Rs. 0.06 crore in Canara Bank. The analysis showed that average establishment expenditure per employee was at par in all the public sector banks.
- Average deposits per branch came to be the highest of order of Rs. 51.38 crore in Bank of Baroda and lowest of the order of Rs. 36.43 crore in Punjab National Bank. There was no significant variation in the average deposits per branch of various public sector banks
- Average advances per branch came to be highest of the order of Rs. 34.77 crore in Bank of Baroda and lowest of the order of Rs. 25.74 crore in Punjab National Bank followed by Rs. 34.46crore in Canara Bank. There was no significant difference in the advances per branch in all the public sector banks.
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- Average expenditure per branch came to be Rs. 4.84 crore in state bank of India, Rs. 4.00 crore in bank of Baroda, Rs. 4.12 crore in Bank of India, Rs. 4.63 crore in Canara Bank and Rs. 3.40 crore in Punjab National Bank. There was no significant difference in the expenditure per branch of all the public sector banks.
- Average earning per employee was highest of the order of Rs. 5.34 crore in State Bank of India and lowest of the order of Rs. 3.84 crore in Punjab National Bank. Total expenditure per branch was at par in all the public sector banks.
- Average establishment expenses per Branch came to be highest of the order of Rs. 1.07 crore in State Bank of India and lowest of the order of Rs. 0.75 crore in Punjab National Bank. Average establishment expenditure per Branch was at par in all the public sector banks.
- Average profit to earnings ratio came to be highest of the order of 11.21 percent in Punjab National Bank and lowest of the order of 9.21 percent in State Bank of India. There was no significant difference in profit to earnings ratio of all the public sector banks.
- Average establishment expenses to total expenses ratio came to be 21.57 percent in state Bank of India, 21.28 percent in Bank of Baroda, 21.08 percent in Bank of India, 18.78 percent in Canara Bank and 21.81 percent in Punjab National Bank. There was no significant difference in the establishment expenses to total expenses ratio in all the public sector banks.

- Average establishment expenses to business ratio came to be 1.33 percent in State Bank of India, 1.12 percent in both Bank of Baroda and Bank of India, 1.07 percent in Canara Bank and 1.25 percent in Punjab National Bank. All the public sector banks under study differ significantly on establishment expenses to business ratio.
- Average total expenses to business expenses ratio came to be highest of the order of 6.30 percent in State Bank of India and lowest of the order of 5.26 percent in Bank of Baroda. There was no significant difference in the total expenses to business ratio in all the public sector banks.

CONCLUSIONS

It can be concluded that public sector banks performed in the similar way as far as productivity ratios were concerned, except establishment expenditure as percent of business. Establishment expenditure as percent of business was significantly higher in State Bank of India and Punjab National Bank as compared to that in Bank of Baroda, Bank of India and Canara Bank. As we have entered in the new era of competition, so emphasis on productivity and efficiency is necessary to survive in global world. India is among the fastest growing economies, so it required to break the bottleneck of geographical boundaries. Keeping in view the vision of super economy the adoption of Information Technology (IT) plays a significant role. The financial sector like banks is the backbone of the country and significance given to this is also essential to raise the living standards of the people. A number of efforts have already been made by various dominions to review the banking industry worldwide to strengthen and regularize it globally.

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